

FOR IMMEDIATE RELEASE

MONTANA PUBLIC SERVICE COMMISSION

Contact: Eric Sell- Communications Director

esell@mt.gov

W: 406.444.5772

C: 406.202.5326

May 31, 2016

**Montana Public Service Commission requires \$1.1 million rate
reduction for Mountain Water customers**

HELENA, Mont. – May 31, 2016 – The Montana Public Service Commission voted 4-1 Tuesday to implement a 5.97 percent (\$1.1 million) rate reduction for the customers of Mountain Water Co., the owner and operator of the water system in Missoula, MT.

The rate reduction comes after a four month long investigation into Mountain Water's rates that was initiated by the sale and transfer of the water system in January, which was consummated without the PSC's approval. The Commission held a hearing in Missoula on May 3-4 to hear testimony from parties in this proceeding.

The Montana Consumer Counsel submitted an analysis to the Commission that found that the lower costs of very low interest financing utilized by the new owner, Liberty Utilities Co. should also benefit the customers of Mountain Water. The Commission's own investigation based on the data provided found that there should be a reduction in Mountain Water's cost of capital under the new owner. The reduction in the cost of capital results in a cost of service savings that must be passed on to ratepayers in order for rates to remain just and reasonable, as is required by law.

"It would be highly inappropriate to funnel this cost of capital savings to Mountain Water in the form of increased profit, as the savings should instead be passed on to consumers in the form of reduced rates," said Commissioner Bob Lake, R- Hamilton. "It is imperative that the customers of Mountain Water only pay rates that are just and reasonable, regardless of who the owner is."

Speaking to the Commission decision, PSC Chairman Brad Johnson, R- East Helena, said,

“The Commission’s action today is a perfect example of the oversight that ratepayers expect from us, and I am very pleased that we were able to help the customers of Mountain Water by simply doing our job.”

“If allowed to remain in place, current rates would represent a substantial overcharge to customers,” said PSC Vice Chairman Travis Kavulla, R-Great Falls. “At the heart of Liberty’s acquisition of this water utility is a large amount of leverage, or debt, at extremely low interest rates. Without the action we took today, Liberty would stand to be paid more through an artificially inflated, regulated return than is actually necessary to pay for the ownership of this water utility.”

“Utilities should be encourage to make cost-saving business decisions that benefit both the customer and the company,” said Commissioner Roger Koopman, R-Bozeman. “For the short-term, that’s exactly what happened here, and the PSC was correct to pass a significant rate cut on to consumers. What happens in the longer term concerning Mountain Water ownership is out of our hands.”

Commissioner Kirk Bushman, R-Billings, dissented, stating,

“The Commission should never have opened this rate investigation before the condemnation proceeding finished its way through the courts. I fully support the Commission asserting its authority to review a sale and transfer of stock, but today’s decision was premature as the courts have not settled the question of ownership yet.”

To view the Commission’s Mountain Water rate investigation docket, visit:

<http://1.usa.gov/1LSXzVC>

###

For MPSC updates, please follow us on twitter [@MT_PSC](https://twitter.com/MT_PSC), and “like” our Facebook page [Montana PSC](https://www.facebook.com/MontanaPSC)